APPENDIX

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ORANGE COUNTY

ASSESSOR SAYS CABLE TV FIRMS LIE, GOUGE

☐ Assessments: Bradley L. Jacobs lashes back at 'Big Cable' in the face of a TV industry advertising blitz complaining about tax hikes.

By ROSE ELLEN O'CONNOR
Times Staff Writer

SANTA ANA—In the face of a cable industry advertising blitz complaining of higher tax bills, Orange County Assessor Bradley L. Jacobs lashed back Monday, accusing "Big Cable" of violating campaign reform laws by lying to residents and using a monopoly to gouge customers with inflated rates.

"That monopoly allowed Big Cable to raise prices by more than 400% since 1983, and it's about time that the people got some of that back," Jacobs said in a press release.

Jacobs, who is up for reelection in June, has not returned phone calls over the past two weeks and was unavailable for comment Monday.

"The law says that the cable industry has to pay its fair share of taxes just like everyone else," the statement continued, "and I'm going to see that no one gets special treatment just because they have a lot of money to throw around."

Incensed by tax assessments that have climbed by as much as 400% in a single year, the industry spent $50,000

on full-page newspaper advertisements earlier this month urging county residents to complain to Jacobs and the Board of Supervisors. The cable companies have also sent out 800,000 notices to businesses and residents informing them that their cable rates either already have—or soon will—increase as a result of the bigger tax bills. Similar warnings have aired on cable channels.

In addition, the industry has hired a public relations consultant to handle its war against Jacobs. Consultant Harvey Englander angrily dismissed Jacob's counter-attack Monday.

"Brad Jacobs is a damn liar," Englander said, denying that cable company profits have risen as much as Jacobs asserts. "Let's see him prove it," Englander said.

Englander also dismissed Jacobs' charges that a rich and powerful cable industry is trying to place unfair political pressure on him.

"I read it. I just finished laughing," Englander said of Jacobs' campaign press release. "Nowhere anywhere have we talked about his being up for reelection or urged anyone to vote for him or against him. . . . What Mr. Jacobs is doing is trying to hide behind the political reform act to get around free speech."

Cable operators have threatened to sue the county over the assessments. And two weeks ago, industry representatives met privately with county supervisors and urged them to weigh the cost of such a legal battle before agreeing to provide money for Jacobs' defense.

At issue is a method of computing a cable company's property taxes, which was first used by the Orange County tax assessor's office last fall. Under this method, the assessor considers the value of a cable company's exclusive franchise and other intangibles in computing the value of its property and so-called possessory interest. This refers to the value of the public easements the company has been granted to lay cables under roads and other public land.

FIELD STUDY REPORT

THE TAXATION OF MEDIA PROPERTY INTANGIBLES

PREPARED BY:

KAGAN MEDIA APPRAISALS, INC.

January 31, 1990

FINDINGS

Of the 33 documented sales of cable TV systems, radio and television stations and daily newspapers transacted in the subject counties in 1986, 1987 and 1988, sufficient sales price and reassessment data was available to enable a verifiable comparison of 24, including 12 cable systems and 12 non-cable media properties. The information is summarized below.

FINDINGS (Continued)

TABLE 1

Property	Sale Date	Sale Price (SP)	Assessed Value (AV)	AV % of SP	AV (Over)/ Under SP
		$(000)	$(000)		(000)
Cable Systems:					
American Cblsys.	9/87	6,785.0	14,713.1	217%	(7,928.1)
Comcast Cable	6/86	$49,186.0	$90,303.3	184%	$(41,117.3)
Continental Cablvsn.	10/86	12,227.9	17,928.3	147%	(5,700.4)
Post Newsweek Cable	1/86	40,000.0	52,700.0	132%	(12,700.0)
Mountainside Cable	7/87	899.8	1,159.4	129%	(259.6)
Continental Cablvsn.	10/86	15,772.1	19,765.7	125%	(3,993.6)
Falcon Telecable	7/87	6,995.9	8,061.5	115%	(1,065.6)
Jones Intercable	10/87	17,424.0	19,431.9	112%	(2,007.9)
Premiere Cable	3/88	675.0	719.2	107%	(44.2)
Jones Intercable	2/88	19,000.0	19,707.0	104%	(707.0)
Multivision Cable	12/86	59,942.0	59,170.4	99%	771.6
Calvideo Cable	8/88	11,478.5	11,387.9	99%	90.6
Totals		$240,386.3	$315,047.8	131%	$(74,661.5)
Straight Averages		$20,032.2	$26,254.0	131%	$(6,221.8)
Non-Cable Media Properties:					
Daily Pilot	8/88	$10,000.0	$7,461.3	75%	$2,538.7
KNTI-FM	11/88	415.0	287.2	69%	127.8
KOBO-AM	10/88	380.0	135.6	36%	244.4
Daily Transcript	1987	2,750.0	735.6	27%	2,014.4
Press Tribune	1/89	19,000.0	3,980.0	21%	15,020.0
KPLA-AM	11/87	1,100.0	213.8	19%	886.2
Vista Press	1/87	6,317.0	1,190.4	19%	5,126.6
KWTR-AM/KXBX-FM	5/88	1,350.0	226.9	17%	1,123.1
KWIZ-AM/FM	2/88	6,250.0	702.9	11%	5,547.1
KPGA-FM/KVEC-AM	3/88	1,500.0	60.9	4%	1,439.1
KCST-TV	10/87	275,000.0	9,751.5	4%	265,248.5
KWSP-FM	12/88	1,260.0	15.4	1%	1,244.6
Totals		$325,322.0	$24,761.5	8%	$300,560.5
Straight Averages		$27,110.2	$2,063.5	25%	$25,046.7
Avg. Exclu. KCST-TV		$4,574.7	$1,364.5	27%	$3,210.2

FINDINGS (Continued)

This comparison clearly shows a wide disparity in assessment. The cable properties were assessed at an average of 131% of sales price, while the non-cable properties were assessed at an average of only 25%.

Among the non-cable properties, broadcast properties were assessed at an average of 19% of sales price while for newspapers the assessment to sales price ratio averaged 35%. The relatively higher assessment for newspapers is expected given the higher investment in plant, property and equipment required to operate such business versus broadcast properties which often lease facilities and require comparatively minimal investment in operating equipment.

As Table 2 shows, the pattern is also consistent among the counties.

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CONCLUSIONS

The findings of this study of actual assessments over a three-year period support the following conclusions regarding assessment practice in the 10 subject counties:

1. Cable systems are, as a rule, being assessed on the basis of full enterprise value;
2. Since intangibles constitute a substantial portion of cable system value, cable intangibles are being assessed for property tax purposes;
3. Other comparable media properties, specifically, radio and television stations and daily newspapers are not being assessed at full enterprise value;
4. Since intangibles constitute the largest single class of statutory exemptions, it is reasonable to conclude that the intangibles of comparable media properties are not being assessed;
5. Cable system owners are not being treated equally for property tax purposes with other comparable media business, in general, or with other First Amendment speakers.